

## **Assembly Bill No. 692**

### **CHAPTER 1024**

An act to add Title 13 (commencing with Section 95500) to the Government Code, to repeal Chapter 17 (commencing with Section 50897) of Part 2 of Division 31 of the Health and Safety Code, to amend Sections 12201 and 12201.03 of, and to add Sections 11155.4, 11265.3, and 18910 to, the Welfare and Institutions Code, and to amend Provision 7 of Item 5175-101-0001 of Section 2.00 of the Budget Act of 2002, relating to human services.

[Approved by Governor September 28, 2002. Filed  
with Secretary of State September 28, 2002.]

#### **LEGISLATIVE COUNSEL'S DIGEST**

**AB 692, Aroner. Human services.**

(1) Existing law, operative upon the receipt of specified federal funds for the purpose of the establishment of an individual development account project, provides for the establishment of a program that is consistent with the requirements of federal law, to be known as the California Savings and Asset Project. The Governor is required to designate an agency or department to administer the project.

This bill instead would establish an individual development account program to be known as the California Savings and Asset Project, to be administered by the Employment Development Department through a contract with a qualified nonprofit facilitator, as defined, according to specified criteria. It would require that these provisions become operative upon an appropriation of funds by the Legislature, or the allocation of existing specified federal funds by the Governor, for the purpose of establishing the project. This bill would make various conforming changes.

(2) Existing federal law provides for allocation of federal funds through the federal Temporary Assistance for Needy Families (TANF) block grant program to eligible states, with California's version of this program being known as the California Work Opportunity and Responsibility to Kids (CalWORKs) program.

Under the CalWORKs program, each county provides cash assistance and other benefits to qualified low-income families and individuals who meet specified eligibility criteria.

Existing law requires an annual redetermination of eligibility for benefits under the CalWORKs program, and, in addition to the requirement for the annual redetermination of eligibility, requires the

State Department of Social Services to establish regulations consistent with federal law to implement a recipient periodic reporting system for use in determining monthly eligibility and the amount of the grant.

This bill would additionally require a recipient to report certain changes to the county orally or in writing within 10 days of the change.

Because each county is required to administer the CalWORKs program, this bill would create a state-mandated local program.

(3) Existing law provides for the State Supplementary Program for the Aged, Blind and Disabled (SSP), which requires the State Department of Social Services to contract with the United States Secretary of Health and Human Services to make payments to SSP recipients to supplement supplemental security income (SSI) payments made available pursuant to the federal Social Security Act.

Under existing law, benefit payments under the SSP program are calculated by establishing the maximum level of nonexempt income and federal (SSI) and state (SSP) benefits for each category of eligible recipient. The state SSP payment is the amount, when added to the nonexempt income and SSI benefits available to the recipient, that would be required to provide the maximum benefit payment.

Existing state law provides for the annual adjustment, on a calendar year basis, of the total level of combined state and federal benefits as established by statutory schedule and adjusted to reflect prior adjustments to reflect changes in the cost of living, as defined. Under existing law, any increase in state funds necessary to defray the cost of a cost-of-living adjustment in SSI/SSP payments is offset by any cost-of-living increase provided under federal law.

This bill would delay the implementation of the annual 2003 calendar year state cost-of-living adjustment of benefits under the SSP program until June 1, 2003, but would provide that the SSP payment schedules shall include the pass-along of any federal cost-of-living increases in federal SSI benefits in that period.

(4) Existing law provides for the Food Stamp Program, under which food stamps are allocated by each county in accordance with federal requirements.

Existing law provides, however, that, to the extent permitted by federal law, the department shall conform food stamp requirements to CalWORKs reporting requirements.

This bill would provide that, to the extent permitted by federal law, the department shall conform food stamp requirements to certain CalWORKs reporting and budgeting requirements.

Because each county is required to administer the Food Stamp Program, the bill would constitute a state-mandated local program.



The bill would provide that the food stamp and CalWORKs provisions shall become operative only if AB 444 becomes operative.

(5) Existing law provides for the enactment of an annual Budget Act for the usual and ordinary expenses of government.

This bill would revise a provision of AB 425, which proposes to enact a Budget Act for the 2002–03 fiscal year, that limits certain federal penalty allocations in implementing child support services. This revision would become operative only if AB 425 becomes operative.

(6) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement, including the creation of a State Mandates Claims Fund to pay the costs of mandates that do not exceed \$1,000,000 statewide and other procedures for claims whose statewide costs exceed \$1,000,000.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

*The people of the State of California do enact as follows:*

SECTION 1. The Legislature finds and declares all of the following:

(a) Assets provide families an economic cushion and enable them to make investments in their future. Assets also provide parents a psychological orientation toward the future in regard to their children and the stake they have in their community.

(b) Providing a structured savings situation for low-income and working poor individuals enhances their chances of fulfilling major life goals and incorporates them into the economic mainstream.

(c) Individual development accounts can provide working Americans with strong incentives to build assets, basic financial management training, and access to secure and relatively inexpensive banking services.

(d) Research findings on the impact of individual development accounts suggest that low-income individuals have the capacity to save and that individual development accounts are an efficient method to help individuals establish savings patterns.

(e) Individual development accounts have become increasingly popular and have earned bipartisan support around the country and in California.

(f) To date, California has failed to join the efforts of the federal government, private sector, and low-income individuals in helping families build assets through individual development accounts.



SEC. 2. Title 13 (commencing with Section 95500) is added to the Government Code, to read:

TITLE 13. CALIFORNIA SAVINGS AND ASSET PROJECT

95500. An individual development account program, to be known as the California Savings and Asset Project, is hereby established. The program shall be administered by the Employment Development Department.

95501. This title shall become operative upon an appropriation of funds by the Legislature, or the allocation of existing discretionary funds by the Governor pursuant to Section 128(a) of the Workforce Investment Act of 1998 (29 U.S.C. Sec. 2853(a)), for the specific stated purpose of establishing the California Savings and Asset Project. This title shall be implemented to the extent that funding is appropriated in the annual Budget Act or any future act by the Legislature, or allocated by the Governor.

95502. For purposes of this title, the following definitions apply:

(a) "Community development credit union" means any credit union chartered under federal or state law.

(b) "Community development financial institution" means any community development financial institution certified by the Community Development Financial Institution Fund.

(c) "Department" means the Employment Development Department.

(d) "Indian tribe" means any Indian tribe, as defined in Section 4(12) of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. Sec. 4103(12)), and includes any tribal subsidiary, subdivision, or other wholly owned tribal entity.

(e) "Individual development account" means a matched savings account held in a financial institution, created or organized for an individual as part of an individual development account program earmarked for specific asset-building purposes.

(f) "Nonprofit facilitator" means the nonprofit organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code that contracts with the department for the project.

(g) "Participant" means any individual who has contracted with a service provider to participate in the California Savings and Asset Project.

(h) "Project" means the California Savings and Asset Project.

(i) "Qualified business capitalization" means qualified business expenditures for the capitalization of a qualified business pursuant to a qualified plan.



(j) “Qualified business expenditures” means expenditures included in a qualified plan, including capital, plant, equipment, working capital, and inventory expenses.

(k) “Qualified plan” means a business plan or a plan to use a business asset purchase that is approved by a financial institution, a business development training or technical assistance organization, or a nonprofit loan fund having demonstrated fiduciary integrity; contains a description of services, or goods to be sold, a marketing plan, and a projected financial statement; and requires the eligible individual to obtain the assistance of an experienced entrepreneurial adviser to review the plan for quality and completeness.

(l) “Service providers” means entities that contract with the nonprofit facilitator, and that are nonprofit organizations exempt from taxation under Section 501(c)(3) of the Internal Revenue Code, community development credit unions, community development financial institutions, or Indian tribes that are eligible to receive funds appropriated or allocated for the project.

95503. (a) The department shall issue by July 1, 2003, a request for proposals to entities that may apply to become the nonprofit facilitator of the project. Applications shall include, but need not be limited to, all of the following components:

- (1) A description of the organization submitting the proposal.
- (2) A description of the planning process used to design the project.
- (3) A business plan, including a market assessment, to be developed and used during the planning process, describing a target group or target area and the needs to be served, and cultural considerations.
- (4) A marketing plan, including a description of the outreach and recruitment of participants for the project that uses information developed in the planning and market assessments.
- (5) A description of project operations, including a description of the fiscal management plan, staffing pattern, arrangements with financial institutions, data management plan, and partnerships with other organizations.
- (6) A description of the accounting methods to be used and evidence that the entity has the capacity to monitor pooled matching funds and project funding.
- (7) A financial projection, including a proposed budget and fund development strategies.
- (8) An annual audit.
- (9) A description of primary project policies and procedures.
- (10) A description and plan for delivery of personal financial management training and asset-specific training.



(b) The department shall, with the cooperation of the nonprofit facilitator, submit an annual report to the Legislature on the first day of January, commencing in 2004. The report shall include, but is not limited to, all of the following:

- (1) The number of enrolled participants.
- (2) The number of individual development accounts established.
- (3) The aggregate savings achievements.
- (4) The number of participants who have completed the program.
- (5) The number of participants who have completed financial education.
- (6) A minimum of two participant profiles.
- (7) A financial report, including the use of state funds, other leveraged funds, and the status of other committed funds.
- (8) A summary of program achievements and obstacles.
- (9) Program and fiscal projections for the next year.

(c) (1) The department shall assemble a review committee to read and score proposals by interested nonprofit facilitators in response to the request for proposals. The review committee shall include a staff member from the department and other experienced individual development account practitioners from diverse communities.

(2) The review committee shall score the proposals according to the components required in Section 95504, as well as best practice standards agreed upon by the asset-building field and a demonstrated capacity to conduct statewide activities and subcontract with service providers around the state.

(d) The department shall select a nonprofit facilitator to participate in the project based on the proposals submitted and scored pursuant to this section.

(e) The department shall allocate funding to the nonprofit facilitator for the project, subject to the requirements and limitations of the funding source.

(f) The department shall annually pay the nonprofit facilitator up to 10 percent of the project's total annual allocation for the purpose described in Section 95504, and may reserve up to 5 percent of the project's total annual allocation for its own administrative purposes.

95504. (a) The nonprofit facilitator shall subcontract with service providers to implement the project around the state. The nonprofit facilitator shall make an attempt to select service providers for programs of different size, geographical distribution, and target population to be served. Additionally, the nonprofit facilitator may consider giving special consideration to service providers that demonstrate partnerships with local public agencies.

(b) The service providers shall perform all of the following duties in implementing the project:

(1) Recruit and select participants who meet the following criteria:

(A) The individual is at least 18 years of age.

(B) The individual is a member of a household with an income of not more than 80 percent of the area median income based on United States Department of Housing and Urban Development guidelines at the time of program enrollment.

(C) The individual is not a dependent of another person for federal income tax purposes.

(D) The individual is not a debtor for a judgment resulting from nonpayment of a court-ordered child support obligation.

(E) The individual meets eligibility criteria as defined by the funding source for the program created under this title.

(2) Develop and sign contracts with each participant, to include all program requirements and policies governing the participant's account.

(3) Assist participants in opening individual development accounts. CalWORKs recipients participating in the project may consider using a restricted account as described in Section 11155.2 of the Welfare and Institutions Code. Otherwise, the accounts shall be established using a parallel account structure that meets both of the following requirements:

(A) One separate account shall be established for each participant in a federally or state insured financial institution, community development financial institution, any financial institution eligible to hold an individual retirement account, or community development credit union, in which each participant's savings are deposited and maintained. The program participant may withdraw his or her own savings at any time.

(B) Another separate, parallel account shall be established and maintained by service providers in which the matching funds from state, federal, and private donations are kept. The parallel account may contain all matching funds for a pool of any service provider's participants.

(4) Help individuals receive their matching funds at the conclusion of the program.

(5) Provide participants with a minimum of 12 hours of financial education and training. The education and training shall include, but need not be limited to, all of the following:

(A) Household and personal budget management.

(B) Economic literacy.

(C) Credit repair.

(6) Develop a program dismissal process for participants who do not fulfill program participation requirements, and seek to ensure that matching funds are used for their intended purposes.





(7) Collect and maintain information about their programs, in a manner that provides the capacity to report semiannually all of the following information to the department:

(A) The number and demographic characteristics of participants enrolled in the program.

(B) The number of accounts established.

(C) The individual and aggregate savings level of participants.

(D) The number of participants who closed accounts and the amount of associated savings.

(E) The actual and proposed program budget.

(F) The size and origin of matching pool funds received, obligated, and paid to participants.

(G) The program achievements and obstacles.

(H) Twelve-month program and financial projections.

(I) At least one participant profile.

95505. (a) Prior to receiving funds under this title, each service provider shall, within six months of being selected to act as a service provider, provide written documentation to the department that it has secured matching funds from nonstate sources to match each state dollar provided under this title.

(b) Service providers shall recruit and select participants who meet the following criteria:

(1) The individual is at least 18 years of age.

(2) The individual is a member of a household with an income of not more than 80 percent of the area median income based on United States Department of Housing and Urban Development guidelines at the time of program enrollment.

(3) The individual is not a dependent or another person for federal income tax purposes.

(4) The individual is not a debtor for a judgment resulting from nonpayment of a court-ordered child support obligation.

(c) Service providers shall develop and sign contracts with each participant, to include all program requirements and policies governing the participant's account.

(d) Service providers shall assist participants in opening individual development accounts. The accounts shall be established using a parallel account structure that meets both of the following requirements:

(1) One separate account is established for each participant in a federally or state insured financial institution, community development financial institution, any financial institution eligible to hold an individual retirement account, or community development credit union, in which each participant's savings are deposited and maintained. The program participant may withdraw his or her own savings at any time.





(2) Another separate, parallel account is established and maintained by service providers in which the matching funds from state, federal, and private donations are kept. The parallel account may contain all matching funds for a pool of any service provider's participants.

(e) Service providers shall help individuals receive their matching funds at the conclusion of the program. All state matching funds shall be paid directly to the vendor as specified by the program participant.

(f) Service providers shall provide participants with a minimum of 12 hours of financial education and training. The education and training shall include, but is not limited to, all of the following:

(1) Household and personal budget management.

(2) Economic literacy.

(3) Credit repair.

(g) Service providers shall develop a program dismissal process for participants who do not fulfill program participation requirements, and seek to ensure that matching funds are used for their intended purposes.

(h) Service providers shall collect and maintain information about their programs, and participants shall do so in a manner that provides the capacity to report all of the following information, semiannually, to the department:

(1) The number and demographic characteristics of participants enrolled in the program.

(2) The number of accounts established.

(3) The individual and aggregate savings level of participants.

(4) The number of participants who closed accounts and the amount of associated savings.

(5) The actual and proposed program budget.

(6) The size and origin of matching pool funds received, obligated, and paid to participants.

(7) The program achievements and obstacles.

(8) Twelve-month program and financial projections.

(9) At least one participant profile, and state maintenance of effort requirements.

(i) Each participant may save up to a maximum of three thousand dollars (\$3,000) in total, over the life of his or her individual development account.

95506. Individuals selected to participate in the project shall do all of the following:

(a) Contract with his or her service provider.

(b) Regularly deposit funds into the individual development account.

Participants may contribute to the individual development account using resources generated from the following sources:

(1) Earned income.

- (2) Federal Earned Income Tax Credit refunds.
- (3) Disability benefits.
- (4) Child support payments.
- (5) AmeriCorps stipends.
- (6) Wages earned through self-employment.
- (7) Job training program stipends.

(c) Select purchase goals for which the savings will be used.

Participants may use savings generated by individual development accounts for any of the following purposes:

- (1) Postsecondary and vocational education expenses, including tuition, fees, books, supplies, and equipment.
- (2) Home purchase costs with respect to a principal residence.
- (3) Major home repair.
- (4) Assistive technology equipment or services for disabled participants when used to access employment, education, or training.
- (5) Purchase of a vehicle to be used for employment, education, or training purposes.
- (6) Qualified business capitalization.
- (d) Communicate regularly with the service provider regarding the account.

(e) Participate in a minimum of 12 hours of training and education provided by the service provider.

(f) Maintain savings in the individual development account for a minimum of six months from the time the account was established.

95507. Pursuant to Internal Revenue Service Ruling 99-44, interest earned on funds deposited in the individual development account by the participant is taxable to the participant in the year it is earned, and funds matched to an individual development account are considered a gift at the time they are paid and, therefore, are not considered taxable income to the participant.

95508. The financial institution in which an individual development account is established shall:

- (a) Have no greater duties or responsibilities as to an individual development account than it has to any other savings account.
- (b) Have no duty or responsibility to any withdrawal restriction established in the contract between the participant and the service provider.

SEC. 3. Chapter 17 (commencing with Section 50897) of Part 2 of Division 31 of the Health and Safety Code is repealed.

SEC. 4. Section 11155.4 is added to the Welfare and Institutions Code, to read:

11155.4. The principal and interest in an individual development account established in accordance with the federal requirements of



Section 604(h) of Title 42 of the United States Code or established by a statewide individual development account program shall be exempt from consideration when determining eligibility and the amount of CalWORKs assistance.

SEC. 5. Section 11265.3 of the Welfare and Institutions Code, as added by Assembly Bill 444 of the 2001–02 Regular Session, is amended to read:

11265.3. (a) In addition to submitting the quarterly report form as required in Section 11265.1, during the quarterly reporting period, a recipient shall report the following changes to the county orally or in writing, within 10 days of the change:

(1) The receipt at any time during a quarterly reporting period of income, as provided by the department, in an amount that is likely to render the recipient ineligible, as provided by the department.

(2) The occurrence at any time during a quarterly reporting period of a drug felony conviction as specified in Section 11251.3.

(3) The occurrence, at any time during a quarterly reporting period, of an individual fleeing prosecution or custody or confinement, or violating a condition of probation or parole as specified in Section 11486.5.

(b) Counties shall inform each recipient of the duty to report under paragraph (1) of subdivision (a), the consequences of failing to report, and the amount of income likely to render the family ineligible for benefits no less frequently than once per quarter.

(c) When a recipient reports income pursuant to paragraph (1) of subdivision (a) the county shall redetermine eligibility and grant amounts as follows:

(1) If the recipient reports a change for the first or second month of a current quarterly reporting period, the county shall redetermine eligibility and grant amount for the current quarter by averaging the gross monthly income for any past month or months in the current quarter that was reasonably anticipated when the grant was previously calculated; the actual gross monthly income required to be reported under paragraph (1) of subdivision (a); and the gross monthly income that is reasonably anticipated for any future month or months remaining in the quarter. If the recipient is determined to be financially ineligible based on this average income, the county shall discontinue the recipient after timely and adequate notice. If the recipient is determined to be financially eligible using this average income, no change shall be made in the recipient's grant amount for the current quarterly reporting period.

(2) If the recipient reports a change for the third month of a current quarterly reporting period, the county shall not redetermine eligibility for the current quarterly reporting period, but shall redetermine

eligibility and grant amount for the following quarterly reporting period as provided in Section 11265.2.

(d) (1) During the quarterly reporting period, a recipient may report to the county, orally or in writing, any changes in income or household circumstances that may increase the recipient's grant.

(2) Counties shall act upon changes in income reported during the quarterly reporting period that result in an increase in benefits, after verification specified by the department is received. Reported changes in income that increase the grant shall be effective for the entire month in which the change is reported. If the reported change in income results in an increase in benefits, the county shall issue the increased benefit amount within 10 days of receiving required verification.

(3) (A) When a decrease in gross monthly income is voluntarily reported and verified, the county shall redetermine the grant for the current month and any remaining months in the quarterly reporting period by averaging the gross monthly income for any past month in the current quarter that was reasonably anticipated when the grant was previously calculated; the actual gross monthly income reported and verified from the voluntary report for the current month; and the gross monthly income that is reasonably anticipated for any future month remaining in the quarterly reporting period.

(B) When the average is determined pursuant to subparagraph (A), and a grant amount is calculated based upon the averaged income, if the grant amount is higher than the grant currently in effect, the county shall revise the grant for the current month and any remaining months in the quarter to the higher amount and shall issue any increased benefit amount as provided in paragraph (2).

(4) Except as provided in subdivision (e), counties shall act only upon changes in household composition voluntarily reported by the recipients during the quarterly reporting period that result in an increase in benefits, after verification specified by the department is received. If the reported change in household composition is for the first or second month of the quarterly reporting period and results in an increase in benefits, the county shall redetermine the grant effective for the month following the month in which the change was reported. If the reported change in household composition is for the third month of a quarterly reporting period, the county shall not redetermine the grant for the current quarterly reporting period, but shall redetermine the grant for the following reporting period as provided in Section 11265.2.

(e) During the quarterly reporting period, a recipient may request that the county discontinue the recipient's entire assistance unit or any individual member of the assistance unit who is no longer in the home or is an optional member of the assistance unit. If the recipient's request



was verbal, the county shall provide a 10-day notice before discontinuing benefits. If the recipient's report was in writing, the county shall discontinue benefits effective the end of the month in which the request is made, and simultaneously issue a notice informing the recipient of the discontinuance.

SEC. 6. Section 12201 of the Welfare and Institutions Code is amended to read:

12201. (a) Except as provided in subdivision (d), the payment schedules set forth in Section 12200 shall be adjusted annually to reflect any increases or decreases in the cost of living. Except as provided in subdivision (e), these adjustments shall become effective January 1 of each year. The cost-of-living adjustment shall be based on the changes in the California Necessities Index, which as used in this section shall be the weighted average of changes for food, clothing, fuel, utilities, rent, and transportation for low-income consumers. The computation of annual adjustments in the California Necessities Index shall be made in accordance with the following steps:

(1) The base period expenditure amounts for each expenditure category within the California Necessities Index used to compute the annual grant adjustment are:

Food .....	\$ 3,027
Clothing (apparel and upkeep) .....	406
Fuel and other utilities .....	529
Rent, residential .....	4,883
Transportation .....	1,757
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Total .....	\$10,602

(2) Based on the appropriate components of the Consumer Price Index for All Urban Consumers, as published by the United States Department of Labor, Bureau of Labor Statistics, the percentage change shall be determined for the 12-month period which ends 12 months prior to the January in which the cost-of-living adjustment will take effect, for each expenditure category specified in paragraph (1) within the following geographical areas: Los Angeles-Long Beach-Anaheim, San Francisco-Oakland, San Diego, and, to the extent statistically valid information is available from the Bureau of Labor Statistics, additional geographical areas within the state which include not less than 80 percent of recipients of aid under this chapter.

(3) Calculate a weighted percentage change for each of the expenditure categories specified in subdivision (a) using the applicable weighting factors for each area used by the State Department of



Industrial Relations to calculate the California Consumer Price Index (CCPI).

(4) Calculate a category adjustment factor for each expenditure category in paragraph (1) by (1) adding 100 to the applicable weighted percentage change as determined in paragraph (2) and (2) dividing the sum by 100.

(5) Determine the expenditure amounts for the current year by multiplying each expenditure amount determined for the prior year by the applicable category adjustment factor determined in paragraph (4).

(6) Determine the overall adjustment factor by dividing (1) the sum of the expenditure amounts as determined in paragraph (4) for the current year by (2) the sum of the expenditure amounts as determined in paragraph (4) for the prior year.

(b) The overall adjustment factor determined by the preceding computational steps shall be multiplied by the payment schedules established pursuant to Section 12200 as are in effect during the month of December preceding the calendar year in which the adjustments are to occur, and the product rounded to the nearest dollar. The resultant amounts shall constitute the new schedules for the categories given under subdivisions (a), (b), (c), (d), (e), (f), and (g) of Section 12200, and shall be filed with the Secretary of State. The amount as set forth in subdivision (h) of Section 12200 shall be adjusted annually pursuant to this section in the event that the secretary agrees to administer payment under that subdivision. The payment schedule for subdivision (i) of Section 12200 shall be computed as specified, based on the new payment schedules for subdivisions (a), (b), (c), and (d) of Section 12200.

(c) The department shall adjust any amounts of aid under this chapter to insure that the minimum level required by the Social Security Act in order to maintain eligibility for funds under Title XIX of that act is met.

(d) (1) No adjustment shall be made under this section for the 1991, 1992, 1993, 1994, 1995, 1996, 1997, and 1998 calendar years to reflect any change in the cost of living. Elimination of the cost-of-living adjustment pursuant to this paragraph shall satisfy the requirements of Section 12201.05, and no further reduction shall be made pursuant to that section.

(2) Any cost-of-living adjustment granted under this section for any calendar year shall not include adjustments for any calendar year in which the cost of living was suspended pursuant to paragraph (1).

(e) For the 2003 calendar year, the adjustment required by this section shall become effective June 1, 2003.

SEC. 7. Section 12201.03 of the Welfare and Institutions Code is amended to read:



12201.03. (a) For the 1992, 1993, 1994, 1995, 1996, 1997, and 1998 calendar years, or for the period of January 1, 2003, to May 31, 2003, inclusive, if no cost-of-living adjustment is made pursuant to Section 12201, the payment schedules set forth in Sections 12200, 13920, and 13921, as adjusted pursuant to Section 12201, shall include the pass along of any cost-of-living increases in federal benefits under Subchapter 16 (commencing with Section 1381) of Chapter 7 of Title 42 of the United States Code.

(b) Notwithstanding paragraph (2) of subdivision (d) of Section 12201, any adjustments made pursuant to this section to reflect the pass along of federal cost-of-living adjustments shall be included in the base amounts for purposes of determining cost-of-living adjustments made pursuant to Section 12201.

(c) Notwithstanding subdivision (a), no pass along of any cost-of-living increase in federal benefits under Subchapter 16 (commencing with Section 1381) of Chapter 7 of Title 42 of the United States Code shall be made in 1994. This provision shall not apply to those persons receiving payments pursuant to subdivisions (e), (g), and (h) of Section 12200.

(d) Notwithstanding subdivision (a), in no event shall the payment schedules be reduced below the level required by the federal Social Security Act in order to maintain eligibility for federal funding under Title XIX of the federal Social Security Act, contained in Subchapter 19 (commencing with Section 1396) of Chapter 7 of Title 42 of the United States Code.

SEC. 8. Section 18910 of the Welfare and Institutions Code, as added by Assembly Bill 444 of the 2001–02 Regular Session, is amended to read:

18910. (a) To the extent permitted by federal law, regulations, waivers, and directives, the department shall implement the prospective budgeting, quarterly reporting system provided in Sections 11265.1, 11265.2, and 11265.3, and related provisions regarding the Food Stamp Program, in a cost-effective manner that promotes compatibility between the CalWORKs program and the Food Stamp Program, and minimizes the potential for payment errors.

(b) The department shall seek all necessary waivers from the United States Department of Agriculture to implement subdivision (a).

SEC. 9. Provision 7 of Item 5175-101-0001 of Section 2.00 of the Budget Act of 2002, as added by Assembly Bill 425, as amended June 29, 2002, is amended to read:

7. Notwithstanding Sections 27.00, 28.00, and 28.50 of this act, or any other provision of law, upon request of the Department of Child Support Services, the Department of Finance may augment the amount





available for expenditure in this item to pay costs associated with the implementation of the California Child Support Automation System Project. The augmentation may be effected no sooner than 30 days after notification in writing of its necessity to the chairperson of the committee in each house of the Legislature that considers appropriations and the Chairperson of the Joint Legislative Budget Committee, or no sooner than whatever lesser time the chairperson of the committee, or his or her designee, may in each instance determine. The funds appropriated by this provision shall be consistent with the amount approved by the Department of Finance based on its review and approval of any required feasibility study report or equivalent document.

SEC. 10. No appropriation pursuant to Section 15201 of the Welfare and Institutions Code shall be made for the purpose of funding the amendments made to Sections 12201 and 12201.03 of the Welfare and Institutions Code by this act.

SEC. 11. (a) Sections 5 and 8 of this act shall only become operative if AB 444 of the 2001–02 Regular Session becomes operative.

(b) Section 9 of this act shall only become operative if AB 425 of the 2001–02 Regular Session becomes operative.

SEC. 12. Notwithstanding Section 17610 of the Government Code, if the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code. If the statewide cost of the claim for reimbursement does not exceed one million dollars (\$1,000,000), reimbursement shall be made from the State Mandates Claims Fund.

